without vertical features can thus save over 40 percent off of Verizon's pricing by choosing WorldCom.

11. Moreover, the majority of WorldCom's new residential local customers have chosen WorldCom as their carrier for local, intraLATA toll, and long distance services, increasing their convenience and savings. In states where WorldCom is now able to offer local service, customers who choose WorldCom to carry intraLATA toll as well as long distance can receive the same low rates for both, minimizing confusion. In addition to the local savings reported above, they also receive access to the lowest WorldCom long distance rates.

12. In short, where UNE-P pricing is available at reasonable, cost-based rates, WorldCom is competing vigorously for residential local customers and offering significant benefits to consumers.

Verizon's Claims Concerning Its Long Distance Pricing Are Spurious

13. Verizon's claims concerning the competitiveness of its long distance pricing are inaccurate. In the Declaration of Maura C. Breen ("Breen Decl."), Verizon attempts to show that its long distance pricing is preferable to WorldCom's pricing for low volume customers. See Breen Decl. ¶ 17. However, by contrasting WorldCom's "7 Cents Anytime" plan with Verizon's "Timeless" plan, Verizon has inappropriately compared its flat-rate plan designed for low volume customers to a WorldCom plan that is designed to maximize savings for medium and high volume customers. In fact, WorldCom's "9 Cents Anytime" plan, which features a flat rate of $0.09/minute, no monthly fee, and a $5.00 monthly minimum, is preferable at most levels of usage to the Verizon "Timeless" plan flat rate of $0.10/minute.

14. Verizon is also mistaken in its assertion that its entry into long distance led WorldCom to reduce its rates on its Internet-based calling plan (that is, its plan offered only through the on-line sales channel). See Breen Decl. ¶ 24. WorldCom's Internet-based calling plan, "Net Savings," was introduced in March 1998 with a 9 cents/minute rate for Monday through Saturday and a 5 cents/minute rate for Sunday. WorldCom expanded the 5 cents/minute rate to Saturday for all customers (new and existing) on December 1, 1999. Therefore, at the time when Verizon entered the New York long distance market, WorldCom was already marketing Net Savings at the lower rate.

15. We also question Verizon's statement that it "has no basic rates" for long distance customers. Breen Decl. ¶ 18. Verizon has filed an FCC Tariff effective August 1, 2000 for "Plan A Service." Under this service, customers are billed $0.30/minute for daytime calls; $0.20/minute for evening calls; and $0.10/minute for night and weekend calls. See Bell Atlantic Communications, Inc., d/b/a Verizon Long Distance, Tariff FCC No. 5, Original Page 38 (issued July 27, 2000). Plan A Service, at least on its face, appears comparable to basic rates provided by other long distance carriers. We have no information, however, as to the circumstances under which Verizon offers these rates or how it intends to use the rates.

16. As discussed in paragraph 23 of the Breen Declaration, WorldCom has recently launched an innovative "all distance" product, "OneCompany Advantage 7," which includes unlimited local calls and all intraLATA toll and long distance calls at seven cents/minute, among other advantages. (Another version of this product offers the same benefits as well as 200 free minutes of long distance each month.) WorldCom intends to offer both versions wherever it provides local service. WorldCom has priced the OneCompany Advantage

7 plan at $24.99 per month in New York. Verizon's most comparable plan in New York (its "Standard Unlimited Local Package") costs $33.95 per month, with long distance available separately under less favorable terms.[3/]

17. Moreover, contrary to Verizon's assertion in paragraph 23 of the Breen Declaration that WorldCom's "7 Cents Anytime" long distance calling plan charges customers nationwide 14 cents/minute for in-state long distance, the cost varies by jurisdiction. Indeed, in Massachusetts, WorldCom offers in-state long distance calls at the rate of ten cents/minute and intraLATA toll calls at five cents/minute. WorldCom established this pricing in the Massachusetts market as of January 1, 1999 with our MCI One Advantage plan. Our Everyday Plus product kept this pricing when it was launched as our lead acquisition plan in August, 1999. We have kept these rates with our launch of $.07 Anytime, $.09 Anytime, & MCI Weekends on August 31, 2000.

18. We also wish to point out that Verizon's claims concerning the consumer benefits of its peak pricing plans are faulty. Verizon compares its "Best Times" plan to Sprint's "Nickel Nights" plan in an attempt to show that customers would benefit from Verizon's pricing. See Breen Decl. ¶ 21. Yet Verizon neglects to mention WorldCom's "MCI Weekends" plan, which offers peak and off-peak rates of $0.07/minute, and a weekend rate of $0.05/minute, with a monthly fee of $5.95. (Verizon's "Best Times" plan offers peak rates of $0.10/minute, and off-

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3/ Verizon's most comparable flat-rate long distance plan is the Timeless plan, which costs 10 cents/minute at all times. See Breen Decl. ¶ 8. Verizon's only other flat-rate plan, the "SmartTouch" plan, requires customers to purchase long distance in advance, and costs 8 cents/minute. See id. ¶ 7. Obviously, under neither of these plans would residential callers be better off than they would with WorldCom's seven cents/minute flat rate.

peak and weekend rates of $0.05/minute, also with a $5.95 fee.) Moreover, the TRAC study relied upon by Verizon to show that its pricing is more favorable than those of the major long distance carriers depends on inaccurate assumptions concerning customers' calling patterns. The TRAC study assumes that 25 percent of calls are made during the day (peak calling rates); 45 percent are made during the evening (off-peak rates); and 30 percent are made when nighttime or weekend rates are in effect. See Breen Decl., Att. B, p. 1. Yet for weekday calling, WorldCom's customers typically make *** *** of their calls during peak calling periods and *** *** when off-peak rates are in effect. Because the WorldCom plan provides lower rates during peak calling times, the WorldCom plan would be more beneficial to a customer with higher peak calling requirements than the Verizon plan. Accordingly, the accuracy of the TRAC study with respect to peak calling plans depends to a significant extent on the calling pattern assumptions made.

19. Despite the cursory information provided by Verizon concerning the assumptions and methodology used in the TRAC study, it is clear from the face of the study that there are several other problems with the study. First, the study was based on outdated information, relying on industry conditions four months ago. See Breen Decl. ¶ 12 (stating that the information was "developed" by TRAC in June 2000). The long distance market is constantly changing, and carriers frequently introduce new plans. WorldCom, for example, significantly revised its calling plans in August 2000. Second, a number of the assumptions underlying the study were not made explicit. In particular, the TRAC study information provided by Verizon does not explain the assumptions made with respect to directory assistance, operator services, and calling card usage. See Breen Decl., Att. A, p. 1. Based on the results reached by

the TRAC study, we believe that the study must be assuming abnormally high levels of directory assistance and calling card usage.

20. As discussed above, Verizon has made dubious claims about the consumer benefits of its long distance entry, but the fact remains that -- depending on usage profile and features selected -- WorldCom's bundled product offers both better long distance and better local rates than Verizon's in New York. Indeed, Verizon's inaccurate pricing analysis, including its erroneous comparison of Verizon calling plans designed for low volume customers with WorldCom calling plans designed for higher volume customers, calls into question the conclusions of the Breen Declaration, in particular the extravagant assertions concerning the savings that would accrue to consumers from Verizon's entry into long distance. See Breen Decl. ¶ 11.

21. Despite the benefits that customers have begun to realize as a result of WorldCom's initial foray into local service in New York, Texas, and Pennsylvania, the full promise of residential local competition embodied in the 1996 Act is far from secure. Although other important issues should not be ignored, without the ability to lease unbundled network elements at rates that allow competitors to compete for a substantial percentage of a state's residences, local residential competition will not adequately take hold. Unfortunately, most states have set UNE prices that are not cost-based and that preclude competition. Indeed, even in New York, Texas, and Pennsylvania the pricing is far from optimal. As we describe later, because rates in these states are above cost, WorldCom has had to limit its marketing to certain geographical regions in each state to avoid losing money on new customers it acquires. But whatever the problems with pricing in Texas, New York, and Pennsylvania, Massachusetts'

pricing is far worse. The purpose of the remainder of this declaration is to explain why the network element pricing, and in particular the pricing of unbundled local switching, precludes broad-scale UNE-based residential local competition in Massachusetts.[4/]

<u>WorldCom's Experience In Massachusetts</u>

22. If barriers to entry were removed, WorldCom would become an active participant in the Massachusetts residential local market. Indeed, Massachusetts is a state that otherwise would be high on WorldCom's entry list. WorldCom has *** *** long distance customers in the state that constitute a natural base from which to develop a local business. If Verizon is to be believed, its Massachusetts operation shares substantial similarities with Verizon's UNE OSS in Pennsylvania, so that it should be possible to modify Pennsylvania systems and enter the Massachusetts market without undertaking all of the extensive capital costs of development that would be required if WorldCom's programmers had to start developing Massachusetts OSS from scratch.

23. But notwithstanding these inviting features of the Massachusetts market, WorldCom has not entered the local residential market, and has no plans to enter the market under current conditions. WorldCom is not the only carrier that has reached the conclusion that profitable UNE-P service is not possible in Massachusetts. According to Verizon's own figures, there are a grand total of only 5,900 residential UNE-P lines in the state. That is, only about 0.2% of the state's residential consumers receive UNE-P-based services. That is a trivial number

4/ This submission should be read in conjunction with the declaration of Dr. Mark T. Bryant, which explains that the network element pricing in Massachusetts, as well as being a barrier to entry, also is not cost-based, and so violates the competitive checklist.

of lines – WorldCom and AT&T provision more UNE-P lines than that in New York, Texas and Pennsylvania on a good day.

24. One does not have to look far to see why there is no UNE-P competition in the state, and why, as a result, most residential customers in the state have no choice but to accept service from Verizon. Companies generally do not sell goods or services in a market unless they believe they can do so profitably, and residential service in Massachusetts using Verizon facilities is a losing proposition for every carrier except Verizon.

25. The pricing in Massachusetts is so bad that a CLEC that sells residential service for the same price as Verizon would not even make enough money to pay for the cost of the elements it leases to provide the service. That is to say, before a carrier even considers its own internal costs or any profit, it is already deeply under water in Massachusetts. The table at Attachment 1, p. 1, vividly describes the situation faced by any carrier that would provide UNE-P service in Massachusetts. The table describes the monthly revenue a carrier would receive if it provided basic service with one feature at the same retail price Verizon charges, and then subtracts from that the "telco" costs, that is, the costs of the leased unbundled network elements. What the table shows is that a carrier in Massachusetts would lose on average $10.84 each month for each line it served, even before it considered its own costs. Those costs, including marketing costs, customer service, costs associated with customers who don't pay their bills, and other operational costs, typically exceed $10/month/line for competing carriers, and when added to the telco costs, show that UNE service in Massachusetts is a losing proposition of staggering proportion. (Due to deaveraging, there is one Massachusetts rate zone that would yield a positive gross margin, but that margin is insufficient to cover a CLEC's internal costs, and the zone has

an insufficient number of potential customers -- only two percent of Massachusetts residents live in that zone. See Attachment 1, p. 2.) Even if a CLEC were to take advantage of the so-called "promotional" rate that Verizon offered to Z-Tel, the bottom line is no different.[5/] The gross margin, that is, the revenue a CLEC would expect to receive after paying for telco costs, but before it considers its own internal costs and profit, is still well under water, a negative \$3.73/month/line. See Attachment 1, p. 1.[6/]

26. The principal cause of this anti-competitive pricing is the high fixed and variable costs of unbundled local switching – although the transport and loop rates as well are excessive. The accompanying declaration of Dr. Mark T. Bryant explains many of the reasons the Massachusetts UNE rates are not cost-based. It is also important to note the increasing competitive importance of the pricing of the switching element. In almost all states, most of the

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5/ There is only one potential way to enter the market using such UNE rates, and that is through the strategy being followed by Z-Tel, which we assume is responsible for most if not all of the 5,900 residential UNE-P lines in the state. That strategy involves selling a high-cost, feature-rich package of local and long distance services to customers who want a high-end package and are willing to pay a premium for it. Thus on its webpage Z-Tel is offering a \$59.99/month package in Massachusetts that includes features such as 200 minutes of long distance, conference calling, and an advanced voicemail system, and apparently believes that in this manner it can generate revenues sufficient to cover the extraordinarily high telco costs in the state. See http://www2.z-tel.com/products/pricing/pricing_map.jsp?state=Massachusetts&from= (downloaded October 14, 2000) (we also understand that Z-Tel is now offering a slightly lower priced package with less long distance). Although we do not know if Z-Tel can turn a profit on this product, time will tell whether Z-Tel will be successful in Massachusetts with this strategy. What is clear now is that this is a niche product for a small niche market, and would never be the basis of providing a broad-scale alternative to Verizon's local service.

6/ All of the local revenue assumptions on the chart reflect revenue in the Boston Area (approximately 1/3 of Verizon-MA) and 3 small towns outside that area (Burlington, Lynn, and Saugus). Outside of these areas, revenue is lower and, consequently, the price squeeze would be even worse than shown here.

price of switching rests in per-minute charges that are assessed every time a customer uses the switch on which capacity is leased.[7/] With the growth of the Internet, customers use their phones (and the phone company's switches) for much longer periods of time today then they did even a few years ago. Indeed, reliable estimates of switching charges have proved difficult to make. At WorldCom, we have to keep increasing our estimate of average per-minute usage based on our growing experience with local customers. In the tables that accompany this declaration, we assume each line will generate *** *** minutes of local originating switch usage each month. That number is a conservative one, based on our current experience in New York and Texas, and is considerably higher that then number we used two years ago when we were attempting to predict our customer's usage patterns in New York. The effect of this increase in switch usage is that unbundled local switching rates (indeed, all usage-sensitive rates) have a much greater effect on the total price of the UNE-P than we anticipated a few years ago.

27. A simple comparison with the rates in other states provides powerful evidence that Massachusetts' switching rate is grossly excessive. For purposes of business planning, we have calculated the effective switching costs in approximately half the states in the nation. In Attachment 2 of this declaration we describe graphically the results of that calculation. While we have not done a similar analysis on the other half of the states, we know of no reason that such an analysis would yield a different result. WorldCom chose the states based on size and for its own business purposes, not based on their switching rates.

7/ There is also typically a flat-rated charge for every port on the switch leased by a competitor. Massachusetts port charges also are exceptionally high.

28. What that comparison shows is that most states' effective switching rates fall within a range between $0.0020 - $0.0040/minute/line. Massachusetts is starkly alone at over $0.0080/minute/line, and the "promotional" rate offered to Z-Tel is almost $0.0060/minute/line. Nor is it the case that exorbitant per-minute charges are offset by low fixed charges on the switch port. To the contrary, Massachusetts has one of the highest flat-rated port charges as well, easily double that of most states. Id. In total, unbundled local switching rates in Massachusetts are three to five times higher than comparable rates anywhere else in the country of which we are aware.

29. There is no justifiable explanation for this gross discrepancy. Verizon cannot possibly be paying over four times more for its switches in Massachusetts than it is in Pennsylvania.

30. We should also note that the problem for CLECs in Massachusetts has nothing to do with the retail rates. Massachusetts' basic retail rates are not particularly low – indeed they are higher than the retail rates in Texas and Pennsylvania, states in which WorldCom can compete at least in large parts of the state even when provided with rates that are not fully cost-based. In Massachusetts, the problem is clearly with the UNE pricing.

31. WorldCom is not willing to enter the market in Massachusetts on the hope that UNE pricing might improve someday. Unlike state commissions in New York, Texas and Pennsylvania, the Massachusetts commission rubber-stamped Verizon's out-of-line switching rates, and then has repeatedly declined to review them as the evidence mounted that they were grossly defective. More generally, the Massachusetts Department of Transportation and Energy ("DTE") has shown scant interest in promoting ubiquitous local residential competition. The

DTE finally decided in March 1999, a year after AT&T filed a petition to revisit Verizon's rates, to simply grant Verizon's motion to adopt permanent UNE rates and close the pricing proceeding. During the next year, WorldCom met repeatedly with officials of the DTE and other state officials to try to have pricing revisited. WorldCom was joined in this effort by other CLECs through a coalition called "Breakthrough Massachusetts." Breakthrough's advocacy agenda outlined a number of local competition issues requiring the DTE's immediate attention, the most important being cost-based pricing of UNEs.

32. Additionally, in November 1999, WorldCom executives presented the DTE with evidence of a UNE-P price squeeze that precluded WorldCom's entry in Massachusetts. DTE officials initially signaled a willingness to proceed with an expedited proceeding to address the most egregious pricing elements, but then declined to do so several months later.

<u>Granting This Application Will Not "Force" CLECs Into Massachusetts</u>

33. In its application, pp. 60-61, and in the supporting declaration of Dr. William E. Taylor, ¶ 22, Verizon asserts that, all evidence to the contrary notwithstanding, the DTE's UNE pricing is not really a barrier to entry, because even with existing UNE prices WorldCom will enter the Massachusetts market as soon as the Commission allows Verizon to compete for WorldCom's long distance customers. Verizon reasons that WorldCom will take this step because it will view the losses that it will suffer in local markets as a fair price to pay to retain its long distance and intra-LATA toll customers.

34. This view is incorrect. Verizon offers no evidence that BOC entry into long distance in states where entry into local markets is financially or otherwise not viable will

somehow "force" long distance companies into the local market. Indeed, there is now a factual record about how WorldCom reacts when incumbents are allowed to compete in their in-region long distance markets. Review of that record proves that Verizon's unsupported suppositions are false. The record establishes that it is not fear of erosion of its long distance and intraLATA toll customers that has driven WorldCom's market entry decisions, but the existence of working OSS and competitive UNE prices.

35. WorldCom's local entry plans are not determined by whether the ILEC is authorized to provide long distance. For example, except where we unsuccessfully tried resale, WorldCom does not offer local service in any locations where non-BOC LECs such as Sprint, SNET, and GTE are providing long distance. Also, WorldCom entered the New York local market in December 1998, long before Verizon won long distance authority in New York; WorldCom entered the Pennsylvania market in August 2000, and Verizon has not even filed an application with the FCC for Pennsylvania; similarly, WorldCom entered the Texas local market months before SBC began offering long distance service in the state. And if local conditions allow it, WorldCom plans to enter the local markets in *** *** in the coming months, even though the Bell Company may not get section 271 authority for some time thereafter. The fact of the matter is that, Bell long distance entry or not, WorldCom has offered and will continue to offer local competition to consumers in residential markets where there is competitive pricing and working OSS. WorldCom's market entry behavior thus disproves Verizon's argument that only long distance entry will "incent" WorldCom to enter local markets.

36. Equally demonstrably false is Verizon's related claim that to protect their long distance base WorldCom and the other long distance carriers will have no choice but to

enter markets like Massachusetts once Verizon long distance entry is granted. Once again, WorldCom's actual market behavior disproves that proposition, because WorldCom is not in fact actively soliciting local customers in large portions of New York and Texas where the pricing does not support local entry, even though Verizon and Southwestern Bell, respectively, are competing for WorldCom's long distance customers in these sections of New York and Texas.

37. Because long distance customers frequently switch from carrier to carrier in the highly competitive long distance market, survival in the residential long distance business requires carriers constantly to telemarket new customers to replace old ones that are attracted to a different carrier's offer. WorldCom's marketing behavior in places where it is possible for it to offer either stand-alone long distance or long distance bundled with local service depends on the relative incremental costs and revenues of selling local service along with long distance. At some point, the incremental costs of providing local service exceed the corresponding revenues such that WorldCom chooses to telemarket only stand-alone intraLATA toll and long distance. WorldCom's behavior in the New York, Texas, and Pennsylvania markets reflects WorldCom's current business judgment about where that point is.

38. Turning first to New York, as seen in Attachment 1, p. 3, there are two UNE loop cost zones in New York containing residential customers. The more rural zone, zone two, contains 36% of the households in the state. In that zone, the gross margin between a CLEC's revenues and telco costs with UNE-P would be $4.70/line/month. To reiterate, that means that assuming that WorldCom was able to charge the same retail rates for its phone service that Verizon charges its customers, and subtracting from that only the costs of the unbundled network elements necessary to provide the service, a CLEC is left with

$4.70/line/month, out of which it must cover its own internal costs and derive a profit. While this margin is greater than the margin CLECs could obtain in 98% of Massachusetts (where margins range from minus $1.49 to minus $14.36), the margin of $4.70 is not nearly enough to allow a CLEC to recover its own internal costs, never mind make a profit.

39. WorldCom has responded to New York's pricing in a rational manner – while it offers products statewide, it is not actively promoting its products in New York's rural zone, even though Verizon is able profitably to offer customers in that zone competing long distance service, and even though Verizon alone can profitably offer a bundled local-long distance service.

40. In contrast, in the more urban areas in New York, where UNE pricing allows WorldCom to achieve more competitive gross margins of $11.31/line/month before covering non-telco costs, WorldCom's telemarketers promote local, intraLATA, and long distance service. Even though WorldCom has the systems in place to provide local service along with its long distance service in the rural areas of the state, it chooses not to do so, because it does not want to add local customers who will provide it a gross margin of only $4.70/month when that amount will not cover WorldCom's incremental cost of providing local service. The result of WorldCom's efforts in New York is that *** *** of its new local customers are in urban zone 1.

41. Precisely the same lesson can be learned by looking at WorldCom's activities in Texas. See Attachment 1, p. 4. There, as in New York, WorldCom aggressively promotes its long distance service throughout the state. But because of unacceptable UNE pricing, it is willing to promote actively its local service only in zones 2 and 3, where the margins

after telco costs are $7.93/month and $11.07/month, respectively. It does not promote local service when it anticipates a margin of minus $0.04/month, even though that means not marketing aggressively to some 21% of the state's consumers, despite the fact that SBC is marketing both local and long distance to these consumers. As in New York, the result of WorldCom's efforts in Texas is that *** *** of its local customers are in urban zones 2 and 3.[8/]

42. Finally, in this regard, WorldCom continues to market aggressively its long distance service in Connecticut, even though it is not yet able to offer local service in Connecticut, and even though SNET is able to market both local and long distance service. As with Verizon and SBC, SNET's long distance service has not "forced" WorldCom to provide local service in Connecticut. The situation is the same in non-BOC territories across the country. So much for Verizon's claim that WorldCom has no choice but to promote local service wherever it is faced with ILEC long distance entry.

43. We stress that WorldCom remains committed to its valued rural long distance customers in New York and Texas – it is vigorously telemarketing long distance services to these customers, and when UNE prices in these areas decline to the point where WorldCom can viably provide local service, it will be eager to do so. But WorldCom's behavior

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8/ WorldCom's conduct in Pennsylvania, where there is no BOC long distance competition, is consistent with its conduct in Texas and New York. See Attachment 1, p. 5. Because of defects in Pennsylvania's UNE pricing, there are regions of the state covering some 35% of its residents where gross margins are $2.90 or $0.17, and WorldCom is not actively marketing local service in those regions. Instead, it is actively marketing local service only in regions of the state where the gross margins are at least $7.25. This suggests that WorldCom's local marketing decisions are not driven by whether or not the BOC has earned section 271 approval.

shows that it is not willing to offer these long distance customers a bundled product, even when Verizon, SBC, and SNET alone can profitably offer both local and long distance service. While there are certainly customers whose demand for the bundle is strong enough that WorldCom will be unsuccessful at marketing long distance service without local service, WorldCom's experience in rural New York, rural Texas, and Connecticut shows that it has not been willing to respond to this demand when it is forced to pay unreasonably high UNE prices to provide local service.

44. The sum of the matter is that if WorldCom is not willing to provide local service to millions of SNET, Sprint, and former GTE customers in states where the ILECS provide both local and long distance service, to millions of New York rural consumers in the face of Verizon competition where WorldCom anticipates its margin will be \$4.70/line/month (Attachment 1, p. 3), or Texas rural customers where the margin is minus \$0.04/line/month (Attachment 1, p. 4), there is no reason to think Verizon's entry will "force" WorldCom to compete for Massachusetts' local residential business when the anticipated statewide margin is <u>minus</u> \$10.84, or with the Z-Tel rate, <u>minus</u> \$3.73.[9] Nor could WorldCom target telemarketing in Massachusetts as it does in Texas and New York. Massachusetts' only rate zone that could provide CLECs a positive gross margin covers only downtown Boston and contains only 2% of the state's residences. Not only is the margin of \$5.46/line/month inadequate to cover our

9/ Although we have not had a chance thoroughly to review Verizon's October 13, 2000, tariff that lowered unbundled switching rates and port rates in Massachusetts, our preliminary review suggests that, with the possible exception of the metro zone that contains only 2% of the state's households, gross margins in all of the other zones are not adequate to allow competitors to offer a local product at competitive rates.

internal costs, but even if it were otherwise there are simply not enough households in this zone to justify an expense of *** *** to develop a product and systems to operate in Massachusetts. In this regard it is important to note that there is no added capital cost of attracting rural New York and Texas customers, since WorldCom has products and systems in place to provide local service in those states. In Massachusetts, for the privilege of losing a great deal more money for each local customer successfully solicited, WorldCom also would have to develop a product and build the necessary OSS to start local business from scratch in the state.

45. Thus, Verizon's suggestion to the contrary notwithstanding, WorldCom's decision not to enter the Massachusetts market when the gross margins are unacceptable is no mere regulatory ploy. WorldCom wants to enter local markets, and wants to enter the local market in Massachusetts. Many of its existing customers want a local product from the same company that provides their long distance service, and WorldCom is well situated to provide them with competitive local choices, just as it did 20 years ago when it opened up the long distance market. But companies in business for the long haul are not willing to sustain losses without realistic prospects of turning a profit. That is hardly an idiosyncratic reaction of one carrier – the absence of robust residential competition in large segments of Massachusetts speaks for itself. WorldCom has no plans to extend its reach into markets or market segments when it faces the prospect of additional losses for every customer it wins. And it has every intention of retaining and expanding its residential long distance and intraLATA toll businesses whether or not state commissions like Massachusetts' DTE choose to keep their local markets tightly shut.

46. In sum, it is not the prohibition against Verizon entering the long distance market that results in the lack of competitive entry into Massachusetts' local market, but the

state's UNE prices. Provide cost-based prices, and WorldCom and other CLECs will bring real local competition to all of the citizens of the Commonwealth.

47. This concludes our Joint Declaration on behalf of WorldCom.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 13, 2000.

Thomas Graham

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 13, 2000.

Patricia K Rogers

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 13, 2000.

Paul Baty

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 13, 2000.

JOINT DECLARATION OF PATRICIA PROFERES, JOHN NOLAN, PAUL BOBECZKO AND THOMAS GRAHAM

ATTACHMENT 1

Comparison of Massachusetts Pricing with States WorldCom Has Entered

	MA–DTE	MA–Z-Tel	NY	TX	PA
Households (000)	2,376	2,376	5,973	5,117	3,398
Revenue:					
Local	$26.65	$26.65	$32.74	$22.97	$22.42
Access	$4.34	$4.34	$4.13	$4.90	$5.38
Total Revenue (1)	$30.99	$30.99	$36.87	$27.87	$27.80
Telco:					
Unbundled switch port	$4.49	$4.49	$2.50	$2.90	$1.90
Unbundled loop	$15.66	$15.66	$14.81	$14.15	$14.01
UNE switching & transport (2)	$21.68	$14.57	$10.60	$4.17	$5.02
Total Telco (3)	$41.83	$34.72	$27.91	$21.22	$20.93
Gross Margin	($10.84)	($3.73)	$8.96	$6.65	$6.87

1 BOC retail rates, without discount. Includes line fee, usage, 1 feature (2 in TX), and SLC.

2 Reflects MA DTE's Sept. 7, 2000 order which reduced charges on intra-End Office calls, and slight revision in call-flow methodology.

3 Does not include Non-Recurring Charges (NRCs).

Note: Analysis does not include WorldCom or other CLEC internal costs (e.g., billing, customer service, sales/acquisition, bad debt)